

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EA-11 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 L-03 H-03 PA-03

PRS-01 USIA-15 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 IO-15 SSO-00 CCO-00

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P 261230Z SEP 73 ZFF-4

FM AMEMBASSY NAIROBI

TO DEPT TREASURY WASHDC PRIORITY

INFO SECSTATE WASHDC PRIORITY 3744

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SHUTO 16

E.O. 11652: N/A

TAGS: OVIP, IBRD

SUBJ: IDA IV REPLENISHMENT AGREEMENT

MANILA FOR USADB

REF: SHUTO 8

1. SUMMARY. DEPUTIES REACHED AGREEMENT AFTERNOON 25 SEPT. ON ALL SUBSTANTIVE POINTS FOR TRMT BILLION TOTAL IDA IV REPLENISHMENT. CHAIRMAN WORLD BANK MEETING ANNOUNCED THIS FACT TO PLENARY. FORMAL ANNOUNCEMENT NOT UNTIL FRIDAY TO PERMIT PREPARATION AND APPROVAL FINAL TEXT REPORT AND RESOLUTION. OUTCOME SATISFACTORILY MEETS U.S. OBJECTIVE OF ACHIEVING REPLENISHMENT AGREEMENT WITHOUT MAKING COMMITMENT THAT WOULD LOCK IN CONGRESS.

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2. IDA IV DEPUTIES HELD FINAL SUBSTANTIVE SESSION P.M. 25 SEPT.

AND RESOLVED REMAINING POINTS. AGREED THAT CHAIRMAN OF ANNUAL MEETING SHOULD IMMEDIATELY NOTIFY PLENARY ALTHOUGH FORMAL ANNOUNCEMENT WOULD NOT BE MADE UNTIL FRIDAY TO PERMIT STAFF TO PREPARE AND DEPUTIES TO REVIEW AND APPROVE CLEAN VERSION OF PROPOSED EXECUTIVE DIRECTORS' REPORT AND RESOLUTION. PROCEDURE HEREAFTER IDENTICAL TO IDA III, I.E., REPORT WILL BE CIRCULATED FOR EXECUTIVE DIRECTORS CONSIDERATION IN WASHINGTON SHORTLY AFTER CLOSE NAIROBI MEETING. ED'S WILL VOTE AFTER PERIOD PROVIDED FOR PART II COUNTRIES TO AGREE TO WAIVER OSUVOTING RIGHTS, REPORT THEN BEFORE GOVERNORS FOR APPROVAL (U.S. VOTE NOT ESSENTIAL), REPLENISHMENT BECOMES EFFECTIVE WHEN SEPARATE NOTIFICATIONS OF ACCEPTANCE PROVIDED TO IDA IN AMOUNTS SUFFICIENT TO MEET "TRIGGER" REQUIREMENTS.

3. MAIN ELEMENTS OF AGREEMENT INDICATED PARA 4 BELOW. MAJOR FEATURE RELEVANT TO U.S. CONGRESSIONAL PROBLEM IS REVISION OF LANGUAGE DESCRIBING WHAT IT IS THAT GOVERNMENTS ARE AGREEING TO DO. U.S. HAD PROPOSED MAJOR CHANGE PROCEDURE TO ELIMINATE ANY ACTION BY EXECUTIVE DIRECTORS AT THIS TIME, BUT IN FACE OPPOSITION AGREED RETAIN PROCEDURE AND AMEND KEY LANGUAGE. PREVIOUS TEXT IDA III REPLENISHMENT AGREEMENT WAS THAT "PART I MEMBER COUNTRIES LISTED BELOW HAVE STATED THAT, SUBJECT TO ANY NECESSARY LEGISLATIVE ACTION, THEY INTEND TO MAKE AVAILABLE TO THE ASSOCIATION NEW RESOURCES PAYABLE ON THE CONDITIONS STATED BELOW." NEW TEXT AS FOLLOWS:

"THE PART I MEMBER COUNTRIES LISTED BELOW BELIEVE THAT THERE IS A NEED TO INCREASE THE RESOURCES OF THE ASSOCIATION, THAT THE AMOUNTS AND CONDITIONS STATED BELOW FORM AN APPROPRIATE BASIS FOR RECOMMENDATION TO LEGISLATURES, AND CONSEQUENTLY THEY INTEND TO REQUEST, WHERE NECESSARY, THEIR LEGISLATURES TO APPROVE THESE ARRANGEMENTS WITH A VIEW TO OBTAINING APPROVAL TO COMMIT THE AMOUNTS LISTED BELOW. IT IS UNDERSTOOD THAT NO COMMITMENT BY A MEMBER GOVERNMENT CAN BE MADE UNTIL APPROVAL HAS, WHERE NECESSARY, BEEN OBTAINED FROM ITS LEGISLATURE."

4. MAIN ELEMENTS:

A) AMOUNT - \$1.5 BILLION, PER YEAR FOR THREE YEARS FOR COMMITMENT DURING THREE YEARS BEGINNING 1 JULY 74. OBLIGATION OF CONTRIBUTORS IS TO PROVIDE SCHEDULED AMOUNTS IN NATIONAL CURRENCY AT EXCHANGE LIMITED OFFICIAL USE

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RATE ON DATE OF FINAL AGREEMENT, PRESUMABLY 28 SEPT. (IDA TO DECIDE CENTRAL RATE OR PAR VALUE AFTER CALCULATIONS TO DETERMINE WHICH MOST ADVANTAGEOUS TO IDA.)

B) PAYMENTS - GENERAL RULE IS THREE EQUAL INSTALLMENTS BEGINNING NOV. 8, 1974. OPTIONS PROVIDED FOR COUNTRIES TO DELAY FIRST PAYMENT ONE YEAR AND ELECT TO PAY IN FOUR YEARS INSTEAD. COUNTRIES PERMITTED "IN EXCEPTIONAL CIRCUMSTANCES" TO CLAIM

BOTH THESE OPTIONS PROVIDED THEY HAVE CONSULTED WITH PRESIDENT OF WORLD BANK. COUNTRIES PAYING IN CASH BEGINNING 11/8/74 MAY MAKE ASCENDING LEVEL PAYMENTS PROVIDED FIRST IS AT LEAST 30 PER CENT.

C) MAINTENANCE OF VALUE - AGREED TO DROP MOV FOR FOURTH REPLENISHMENT, WITHOUT PREJUDICE TO FUTURE REPLENISHMENTS. FRENCH RECORDED THEIR OPPOSITION TO DROPPING MOV.

D) TRIGGER AMOUNT - DEPUTIES DECIDED AGAINST REDUCING AMOUNT REQUIRED TO BRING AGREEMENT INTO EFFECT. GERMANS ESPECIALLY EMPHASIZED U.S. MUST BE INCLUDED IF IDA IV TO GO FORWARD.

E) ADVANCE PAYMENTS - AFTER USREP (HENNESSY) INDICATED HIGH PROBABILITY US WOULD NOT BE READY LEGISLATIVELY TO GIVE NOTIFICATION OF ACCEPTANCE IN TIME TO MAKE AGREEMENT EFFECTIVE BY 7/1/74. GERMANS SUGGESTED INCLUDING EXHORTATION TO OTHERS TO PROVIDE ADVANCE PAYMENTS TO KEEP IDA OPERATING IF NECESSARY. OPINION DIVIDED AMONG DEPUTIES AS TO WISDOM THIS COURSE. FINAL DECISION WAS TO COMPLETE PRESENT AGREEMENT WITHOUT REFERENCE TO ADVANCE PAYMENTS, AND HOLD LATER MEETING (POSSIBLY NOVEMBER) FOR DEPUTIES TO DISCUSS AND DECIDE COURSE OF ACTION.

5. US SHARE ONE THIRD (MEASURED AS PER CENT PART I PLUS SWITZERLAND PLUS PART II CONTRIBUTORS INCLUDING ISRAEL FOR FIRST TIME) ACCEPTED FROM OUTSET BUT SIGNIFICANT BURDEN-SHARING ADJUSTMENTS WORKED OUT
AMONG OTHERS. JAPANESE STOOD BY EARLIER PLEDGE AND TOOK 11 PCT, GERMANS MADE SEVERAL INCREASES IN COURSE OF DISCUSSINS TO APPROX. 11.4 PCT, CANADA INSISTED SLIGHT REDUCTION ITS SHARE FROM 6.26 PCT TO 6.1 PCT, FRENCH REDUCED FROB 6.26 PCT TO 5.6 PCT, UK REDUCED 12.97 PCT TO 11.10 PCT, SWEDEN REDUCED 4.25 PCT TO &?00 PCT, SWEDISH CONTRIBUTION VAGUELY CONDITIONED ON IDA ACTIVITY IN INDOCHINA. PRESUMABLY INTENTION WAS DISCOURAGE IDA LENDING TO LIMITED OFFICIAL USE

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PRESENT SOUTH VIETNAM GOVERNMENT. IRELAND ANNOUNCED SHIFT TO PART I STATUS DURING DISCUSSIONS.

6. IN PRESS BACKGROUNDER ON SPEECH, CONGRESSIONAL BRIEFING, AND SPEECH ITSELF SECY SHULTZ MADE IT CLEAR THAT PRESIDENT WILL STRONGLY SUPPORT PACKAGE, BUT THAT CONGRESS IS INDEPENDENT BRANCH AND HAS NOT BEEN COMMITTED, EXPLICITLY OR IMPLICITLY, TO THIS AGREEMENT.SHULTZ

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